

Intergenerational transmission of advantage and disadvantage: policy implications

This paper surveys the research on intergenerational mobility in OECD countries, focusing on policy implications. Intergenerational mobility measures the extent to which key characteristics and life experiences of individuals differ from those of their parents. Despite the simplicity of this definition, the study of socio-economic mobility across generations is complex, with much of the complexity arising in the definition of what is transmitted and of how the resources transmitted affect future outcomes for children.

A number of findings emerge:

- Intergenerational earnings mobility varies significantly across countries, being higher in the Nordic countries and Canada but lower in Italy, the United States and the United Kingdom. The extent of earnings mobility depends on individuals' and households' characteristics and varies over the income distribution (i.e. mobility is lower at the top and the bottom of the distribution in many countries). The research on intergenerational earnings mobility also reports that countries where both income inequality and rewards to education are higher display lower mobility of income across generations.
- Education is the major contributor to intergenerational income mobility and educational qualifications are correlated across generations. The range of family characteristics that shape educational mobility across generations includes ethnic origin, the language spoken at home, family size, the socio-economic and cultural characteristics of the parents and neighbourhood where the children are raised. Some of the cross-country differences in the extent of intergenerational mobility are shaped by policies. For example, early streaming of students, based on their ability, seems to reduce mobility across generations considerably.
- Evidence of intergenerational immobility extends to other outcomes. For example, persistence of occupations across generations is strong and depends on factors such as race or neighbourhood. Wealth also persists heavily across generations: as they are larger at the top of the income distribution, wealth transfers may deepen inequality. Welfare receipt is also transmitted across generations. Finally, personality traits also seem to persist across generations and affect both labour market outcomes, and decisions about family formation: for example, children of divorced parents are more likely to divorce when they are adults.

The inequalities that arise from the intergenerational transmission of low-income, social isolation, personality traits or genetic attributes of individuals have important policy implications. Educational policy, early childhood investment, access to health care and immigration policy all affect the extent to which the social and economic position of individuals in a society is determined by their skills and ambitions rather than by inherited advantage or disadvantage. For example, when intergenerational mobility is low, poverty during childhood will not only undermine health, nutrition and education prospects of children, but will also increase the chances that the

children of the next generation will grow up in low-income households. One conclusion suggested by recent studies of intergenerational mobility is the key role played by early childhood education and care. Financial transfers and in-kind service to parents are also important as they provide them with the resources to better rear and care about their children. Overall, a strategy based on greater investment in children holds the promise of breaking the cycle of intergenerational disadvantages because of its effects in reducing child poverty and contributing to child development.

Anna Cristina D'Addio and Peter Whiteford

Social Policy Division, OECD

e-mail : anna.daddio@oecd.org